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## **INTRODUCTION**

Catholic Services of Macomb entered into contract PAS-98-50001-3 with the Michigan Family Independence Agency (FIA) to provide Post Adoptive Services, which include Adoptive Parent Advocacy, Adoptive Parent Resource Guide, Emergency Intervention, Adoptive Parent Training, and Adoptive Support Groups. The contract totaled \$55,000 and covered the period October 1, 1999 through September 30, 2000. Catholic Services of Macomb was reimbursed for actual costs incurred, through the submission of monthly billings to FIA.

## **SCOPE**

The Office of Internal Audit performed an audit of Catholic Services of Macomb to determine if the Agency's billings were accurate, and if costs billed were allowable and properly supported by the accounting records and supporting documentation in accordance with the terms of the contract. Our audit covered the period October 1, 1999 through September 30, 2000. Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that Catholic Services of Macomb overbilled FIA \$991.05. Our report recommends the Field Operations Administration either initiate the process to recoup \$991.05, or allow Catholic Services of Macomb to prepare and submit a retroactive budget amendment to allow certain costs that were not allowed in the budget. The expenses disallowed are fringe benefits, which were not included in the contract budget.

## **AGENCY RESPONSE**

Per our telephone conversation on February 26, 2001, the agency is in general agreement with the findings in the report. The agency is in the process of requesting a retroactive budget adjustment to include the fringe benefits and room rental charge, so that the costs incurred will be allowable.

## **FINDINGS AND RECOMMENDATIONS**

### **Salaries**

1. Catholic Services of Macomb underbilled FIA \$71.92 for salaries. The costs incurred for the PAS program were greater than the amount billed.

### **Fringe Benefits**

2. Catholic Services of Macomb overbilled FIA \$926.97 for Fringe Benefits because they billed for Unemployment Insurance at a rate higher than what they actually paid, and they billed for health, dental, life and long term disability insurance that were not included in the contract budget. The billed amount was \$4,486.00 and the audited cost was \$3,559.03. Catholic Services of Macomb incurred health, dental, life and LTD insurance costs of \$1,023.55, \$210.09, \$35.36, and \$47.78 respectively. If the insurances are allowed the total audited cost would be \$4,876.00 which would result in an underbilling of \$390.00 ( $4,876.00 - 4,486.00$ ).

### **Occupancy**

3. Catholic Services of Macomb overbilled FIA \$75.00 for a room rental charge for a training session that was not included in the budget. They also underbilled occupancy \$48.00 because actual costs incurred were greater than what was billed. The net difference is an overbilling of \$27.00 ( $75.00 - 48.00$ ).

#### Supplies

4. Catholic Services of Macomb overbilled FIA for the Supplies line item by \$109.00 because actual copier costs were less than the amount billed.

#### Case File Review

5. Catholic Services of Macomb did not maintain case record notes of contacts with the adoptive parents. A contact spreadsheet of the date, type of contact, name, and phone number and number of units provided was maintained. Case record notes are necessary because they provide documentation of the actual services provided to each family.

WE RECOMMEND that FOA advise Catholic Services of Macomb that they must keep case notes to document the contacts and services provided to each family.

WE ALSO RECOMMEND that the Field Operations Administration either initiate the process to recoup \$991.05 (926.97 + 27.00 +109.00 –71.92) or allow Catholic Services of Macomb to submit a retroactive budget revision to allow the costs that are not allowable because they were not included in the contract budget.